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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re

Fagerdala USA - Lompoc, Inc.,

Debtor.

Case No. 14-34642-tmb11

Chapter 11

**DISCLOSURE STATEMENT FOR
DEBTOR'S PLAN OF
REORGANIZATION (Dated November 14,
2014)**

**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED BY THE
BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION. THE
BANKRUPTCY COURT WILL DETERMINE WHETHER THIS DISCLOSURE
STATEMENT CONTAINS ADEQUATE INFORMATION AT A HEARING TO
CONSIDER APPROVAL OF A DISCLOSURE STATEMENT. THE
TRANSMISSION OF THIS PROPOSED DISCLOSURE STATEMENT IS NOT A
SOLICITATION FOR ACCEPTANCE OR REJECTION OF DEBTOR'S
PROPOSED PLAN**

1 Fagerdala USA - Lompoc, Inc. (“Debtor”) submits this Disclosure Statement in
 2 connection with its Plan of Reorganization dated November 14, 2014 (the “Plan”). A copy of the
 3 Plan is attached hereto as Exhibit A. Capitalized terms used herein shall have the meanings
 4 given to them in the Plan unless otherwise defined herein. The purpose of this Disclosure
 5 Statement is to set forth information that (i) summarizes the Plan and alternatives to the Plan, (ii)
 6 informs creditors and Equity Interest holders of the treatment to be afforded their claims against
 7 and equity interests in the Debtor under the Plan, (iii) assists creditors entitled to vote in making
 8 informed decisions as to whether they should vote to accept or reject the Plan, and (iv) assists the
 9 Court in determining whether the Plan complies with the provisions of chapter 11 of the
 10 Bankruptcy Code and should be confirmed. The Plan describes how all Claims against and
 11 Equity Interests in the Debtor will be resolved, and provides the means by which the Debtor will
 12 be reorganized.

13 **I. EXECUTIVE SUMMARY**

14 **A. Introduction.**

15 On August 18, 2014 (the “Petition Date”), the Debtor filed a voluntary petition for relief
 16 under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Since then, the Debtor has
 17 managed its properties and affairs as a debtor-in-possession. This Disclosure Statement
 18 describes certain aspects of the Plan, the Debtor’s business operations, significant events that
 19 occurred in the Bankruptcy Case, and related matters. This executive summary is intended
 20 solely as a summary of the distribution provisions of the Plan and certain matters relating to the
 21 plan confirmation process. For a more complete understanding of the Plan, you should read this
 22 Disclosure Statement, the Plan, and the exhibits thereto in their entirety.

23 **B. Definitions and Plan Supremacy.**

24 All terms defined in the Plan will have the same meanings when used in this Disclosure
 25 Statement. Terms defined in this Disclosure Statement which are also defined in the Plan are
 26 solely for convenience and the Debtor does not intend to change the definitions of those terms in

the Plan. Furthermore, in the event of any inconsistency between the Plan and this Disclosure Statement, the Plan will control. The exhibits attached to this Disclosure Statement are incorporated into and are a part of this Disclosure Statement.

C. Plan Materials.

The Debtor is mailing the following items to those creditors entitled to vote and certain other parties:

1. A copy of the “Order (I) Approving Disclosure Statement; (II) Fixing The Record Date; (III) Approving the Notice and Objection Procedures in Respect of Confirmation of the Plan of Reorganization; (IV) Approving Solicitation Packages and Procedures for Distribution Thereof; and (V) Approving the Form of Ballot and Establishing Procedures for Voting on the Plan of Reorganization,” as entered by the Bankruptcy Court on _____, 2014 (the “Disclosure Statement Order”);
2. The Notice (I) of Approval of Disclosure Statement, (II) Establishment of Record Date, (III) Hearing on Confirmation of the Plan and Procedures for Objection to Confirmation of the Plan, and (IV) Procedures and Deadline for Voting on the Plan;
3. This Disclosure Statement as approved by the Court;
4. The Plan;
5. A ballot; and
6. A pre-addressed return envelope.

Pursuant to the terms of the Plan, certain Classes of Claims and Equity Interests are entitled to vote. Enclosed with this Disclosure Statement are a ballot and a pre-addressed envelope for return of the ballot. The voting procedures are set forth more fully in Article VIII of this Disclosure Statement. If you did not receive a ballot or if your ballot is lost or damaged, please contact Ann Sandvig at Perkins Coie LLP, 1120 N.W. Couch Street, 10th Floor, Portland, OR 97209, by telephone at (503) 727-2046, by fax at (503) 727-2222, or by email at asandvig@perkinscoie.com. The Debtor believes that confirmation of the Plan is in the best interests of the Debtor and its creditors, and that creditors should vote to approve the Plan. You may vote on the Plan by returning the enclosed ballot to the address shown below prior to the

Voting Deadline, which is **5:00 p.m. local time in Portland, Oregon on _____, 2014.**
Only Ballots received by the Voting Deadline can be counted for purposes of Plan
confirmation.

D. The Disclosure Statement Approval

The Bankruptcy Court will consider approval of this Disclosure Statement in accordance with section 1125(f) of the Bankruptcy Code and Bankruptcy Rule 3017 as containing “adequate information” to enable a hypothetical, reasonable investor typical of holders of Claims against the Debtor to make an informed judgment as to whether to accept or reject the Plan at the Confirmation Hearing. All objections to the approval of this Disclosure Statement should be filed on or before **5:00 p.m. on _____, 2014.** Approval of this Disclosure Statement will not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan.

E. Confirmation of Plan

The Bankruptcy Court may confirm the Plan if it is approved by creditors holding more than two-thirds in amount and one-half in number of the Claims voted in each impaired Class of Claims under the Plan.

Objections, if any, to confirmation of the Plan must be filed with the Bankruptcy Court and a copy served on counsel to the Debtor such that the objection is received on or before 5:00 p.m. on _____, 2014. The hearing to consider confirmation of the Plan will be held on _____, 2015.

The confirmation hearing may be adjourned from time to time without further notice except for the announcement of the adjourned date and time at the hearing on confirmation, or at any adjournment thereof.

II. DISCLAIMERS

THIS DISCLOSURE STATEMENT IS NOT THE PLAN. THIS DISCLOSURE STATEMENT, TOGETHER WITH THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT, SHOULD BE READ COMPLETELY. FOR THE

1 CONVENIENCE OF CREDITORS, THE PLAN IS SUMMARIZED IN THIS DISCLOSURE
 2 STATEMENT, BUT ALL SUMMARIES AND OTHER STATEMENTS REGARDING THE
 3 PLAN ARE QUALIFIED IN THEIR ENTIRETY BY THE PLAN ITSELF, WHICH IS
 4 CONTROLLING IN THE EVENT OF ANY INCONSISTENCY. NO REPRESENTATIONS
 5 OR ASSURANCES CONCERNING THE DEBTOR, INCLUDING, WITHOUT LIMITATION,
 6 ITS OPERATIONS, THE VALUE OF ITS ASSETS, OR THE FUTURE OPERATIONS OF
 7 FAGERDALA, ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN
 8 THIS DISCLOSURE STATEMENT. THIS IS A SOLICITATION BY THE DEBTOR ONLY.
 9 THE REPRESENTATIONS MADE HEREIN ARE THOSE OF THE DEBTOR AND NOT OF
 10 THEIR ATTORNEYS OR ANY OTHER PROFESSIONAL. PORTIONS OF THIS
 11 DISCLOSURE STATEMENT DESCRIBING THE DEBTOR'S FINANCIAL CONDITION
 12 HAVE NOT BEEN SUBJECTED TO AN INDEPENDENT AUDIT, BUT PREPARED FROM
 13 INFORMATION COMPILED BY THE DEBTOR FROM RECORDS MAINTAINED IN THE
 14 ORDINARY COURSE OF THEIR OPERATIONS. REASONABLE EFFORTS HAVE BEEN
 15 MADE TO ACCURATELY PREPARE ALL FINANCIAL INFORMATION WHICH MAY BE
 16 CONTAINED IN THIS DISCLOSURE STATEMENT FROM THE INFORMATION
 17 AVAILABLE TO THE DEBTOR. HOWEVER, AS TO ALL SUCH FINANCIAL
 18 INFORMATION, THE DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT THE
 19 INFORMATION CONTAINED HEREIN IS WITHOUT ERROR.

20 AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER
 21 ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT
 22 CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY,
 23 STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN
 24 SETTLEMENT NEGOTIATIONS. THE CONTENTS OF THIS DISCLOSURE STATEMENT
 25 SHOULD NOT BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE TO HOLDERS
 26 OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR. CREDITORS AND

1 EQUITY INTEREST HOLDERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL OR
 2 TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES,
 3 OR OTHER LEGAL EFFECTS OF THE PLAN ON THEM.

4 **III. THE DEBTOR'S HISTORY AND BUSINESS BACKGROUND**

5 **A. History and Business of the Debtor**

6 The Debtor was organized as a California corporation on April 1, 2003. The Debtor's
 7 sole business activity is holding, managing, and leasing certain real property located in Lompoc,
 8 California (the "Property").

9 In December of 2003, Debtor purchased a fee simple interest in the Property from
 10 Pactuco, Inc. and Gowing Leasing. At the time of the purchase, the Property was used to operate
 11 a plastics manufacturing business owned by the Debtor.

12 In August of 2011, the business was closed and the property leased to Central Plastics &
 13 Manufacturing LLC ("Sublessor"), which subleased the Property to Denmat Holdings
 14 ("Tenant"). In approximately October 2012, Debtor acquired Sublessor's interest in the
 15 governing lease agreement. Tenant still occupies the Property and is current on its lease
 16 obligations.

17 **B. Management of Fagerdala.**

18 The following table identifies each of the executive officers and directors of Fagerdala as
 19 of the date hereof.

Name	Position
Rex Hansen	President
John Ballinger	Vice President
Brenda Baker	Secretary
Judy Henry	Treasurer

24 **C. Fagerdala Interest Holders.**

25 Fagerdala has one class of common stock, 100% of which is owned by Willamette
 26 Holdings, LLC, an Oregon limited liability company.

D. Related Party Transactions

Maxwell Morgan, LLC ("Maxwell Morgan") is an insider of the Debtor as defined in section 101(31) of the Bankruptcy Code. Maxwell Morgan was the primary lender to the Debtor and the Debtor's parent and other subsidiary companies. As part of these lending transactions, Maxwell Morgan held a perfected secured position on all assets of the borrowers, other than real estate. In August of 2011, Maxwell Morgan lent additional funds to the Debtor under a line of credit; in return for this additional extension of credit, the Debtor granted Maxwell Morgan a lien on the property. The lien is validly perfected and is junior to Pacific Western Bank ("PWB"). The Plan proposes that Debtor not pay any amounts to Maxwell Morgan on account of Maxwell Morgan's secured Claim until all other Claims have received all payments due under the Plan.

IV. THE BANKRUPTCY CASE

A. Commencement of Bankruptcy Case.

The Debtor commenced the Bankruptcy Case by filing a voluntary petition for relief under chapter 11 of the Bankruptcy Code on August 14, 2014. No trustee has been appointed, and the Debtor has continued to manage its properties and affairs as debtor-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

B. Official Committee of Unsecured Creditors.

The Bankruptcy Code provides for the appointment of an official committee of unsecured creditors in a chapter 11 case to promote the interests of all unsecured creditors. This committee is generally chosen from the twenty largest unsecured creditors and is appointed by the United States trustee. No committee was appointed in this Bankruptcy Case.

C. Pacific Western Bank

One of the factors necessitating a chapter 11 filing by the Debtor was notice of nonjudicial foreclosure issued by PWB. Foothill Independent Bank was a locally owned and operated bank in Lompoc. The bank provided the lending for the original purchase of the

Property in December of 2003. PWB acquired this loan sometime prior to 2011. By June of 2011, Debtor was delinquent on its obligations under the loan. Debtor and PWB subsequently negotiated and executed a forbearance agreement, pursuant to which PWB agreed to forbear from exercising its rights under the PWB Loan Documents, based upon certain payments being made by Debtor. These payments required by the forbearance agreement were funded by Maxwell Morgan. The forbearance agreement kept the original maturity date of December 17, 2013. When Debtor did not pay all amounts due under the PWB Loan on the stated maturity date, PWB commenced nonjudicial foreclosure proceedings.

D. Postpetition Finances

The operating expenses of the Property are generally paid by Tenant. Accordingly, since the commencement of the Bankruptcy Case, Debtor has accumulated rent revenue but has not incurred operating expenses or made any cash disbursements. Debtor expects to incur approximately \$60,000 in reorganization-related expenses during the course of this case.

V. FINANCIAL INFORMATION

A. Selected Financial Information

The following table shows the Debtor's income and expenses for the fiscal year ending April 30, 2014.

<u>Income Statement Data:</u>	Fiscal Year Ending April 2014
Total revenues	454,690
Total expenses	328,276
Net income	126,414

The Debtor's balance sheet as of September 30, 2014 is as follows:

Assets	
Cash	41,656
Fixed assets (Net Depr)	5,320,971
Total assets	<u>\$ 5,362,627</u>
Liabilities	
Accounts payable	258,502

1	Accrued interest & taxes	33,082
	Notes payable	11,206,099
2	Total liabilities	<u>\$ 11,497,683</u>
3	Shareholder equity	<u>\$ (6,135,056)</u>
4	Total liabilities & equity	<u><u>\$ 5,362,627</u></u>

5 **B. Claims**

6 **1. Secured Claims**

7 The Debtor is indebted to various creditors whose claims are secured, in whole or in part,
8 by property owned by the Debtor or in which the Debtor assert a security interest. Under the
9 Plan, these claims have been placed in three classes. These secured claims are summarized
10 below. The categories of secured claims discussed below are for convenience and do not track
11 the classes of claims set forth in the Plan.

12 **a. Pacific Western Bank.** As described in more detail above, Debtor
13 is indebted to PWB for a loan secured by a trust deed and assignment of rents.

14 **b. Maxwell Morgan.** As described in more detail above, Debtor is
15 indebted to Maxwell Morgan for a loan secured by a trust deed and assignment of rents. The
16 total amount of Maxwell Morgan's Claim is approximately \$8 million

17 **c. Santa Barbara County.** Debtor owes approximately \$191,000 to
18 Santa Barbara County for past-due real property taxes. By operation of California law, Santa
19 Barbara County's tax claim is secured by a lien on the Property, which lien is senior to the
20 secured claims of both PWB and Maxwell Morgan.

21 **2. Administrative Expense Claims**

22 Administrative Expense Claims consist primarily of (a) costs and expenses incurred in
23 connection with the operation of the Debtor's business after the Petition Date, (b) claims of
24 professionals who are or were employed at the expense of the Debtor's bankruptcy estates, to the
25 extent allowed by the Court, and (c) fees and charges assessed against the bankruptcy estate
26 under 28 U.S.C. § 1930, including quarterly fees payable to the United States Trustee. Assuming

1 the Effective Date of the Plan is on or around February 1, 2015, the Debtor projects that there
 2 will be no unpaid Administrative Expense Claims other than Fee Claims. The Debtor estimates
 3 that the total outstanding Fee Claims will be \$35,000.

4 **3. Priority Claims**

5 The Debtor estimates that there are no unpaid claims that arose before the Petition Date
 6 that are entitled to priority under section 507(a) of the Bankruptcy Code.

7 **4. Unsecured Claims**

8 The Debtor listed \$66,941.74 in unsecured claims on its Schedules. The Court has set
 9 December 17, 2014 as the deadline for proofs of claim (other than certain government claims).

10 **VI. DESCRIPTION OF THE PLAN**

11 A discussion of the principal provisions of the Plan is set forth below. The discussion of
 12 the Plan that follows is a summary only and is qualified in its entirety by reference to the full text
 13 of the Plan itself. You are urged to read the Plan in full and make a thorough review of its terms
 14 in evaluating whether to accept or reject the Plan. If any inconsistency exists between the
 15 summary herein and the Plan, the terms of the Plan control.

16 **A. Classification and Treatment of Claims and Interests.**

17 **1. Classification Generally.**

18 The Plan designates Classes of Claims and Interests for purposes of voting on the Plan
 19 and making distributions. All Claims, other than Administrative Expense Claims and Priority
 20 Tax Claims, and all Equity Interests are placed in Classes under the Plan. A Claim is classified
 21 in a particular Class only to the extent that the Claim falls within the description of that Class and
 22 is classified in one or more other Classes to the extent that any remainder of the Claim falls
 23 within the description of such other Classes.

1 **2. Unclassified Claims**

2 **a. Administrative Claims**

3 Administrative Claims are claims incurred by the Debtor during the Bankruptcy Case.
 4 Each Administrative Claim other than Fee Claims accrued on or before, but unpaid as of, the
 5 Effective Date will be paid in full in Cash on the latest of: (i) the Effective Date; (ii) the date on
 6 which the Bankruptcy Court enters an order allowing such Administrative Claim; (iii) 30 days
 7 after the Claim is Allowed; or (iv) the date on which the Debtor and the holder of such Allowed
 8 Administrative Claim otherwise agree in writing. The Debtor do not believe that there will be
 9 any holders of Administrative Claims that are not Fee Claims.

10 **b. Professional Fees**

11 Each professional person, whose retention or appointment in these Bankruptcy Case has
 12 been approved by the Bankruptcy Court, including counsel retained by the Debtor, accountants
 13 and other advisors for the Debtor, has a Fee Claim against the estates. Each professional shall
 14 file with the Bankruptcy Court and serve on all parties required to receive notice a final fee
 15 application within 45 days after the Effective Date. The failure to timely file the fee application
 16 as required under the Plan will result in the Fee Claim being forever barred and discharged. All
 17 Allowed Fee Claims shall be paid by the Reorganized Debtor from Cash from operations or
 18 through application of any retainer held by such professional person.

19 **c. Priority Tax Claims**

20 Each holder of an Allowed Priority Tax Claim will be paid the full amount of its Allowed
 21 Priority Tax Claim on the Effective Date or 30 days after the Claim is Allowed, whichever is
 22 later. The Debtor does not believe that there will be any holders of Priority Tax Claims.

23 **B. Classified Claims**

24 A creditor will receive a distribution under the Plan only if such creditor is the holder of
 25 an Allowed Claim. Distributions under the Plan are in full satisfaction of all Claims. The Plan
 26 provides for classification and treatment of all Claims against the estate as follows:

1 **1. Class 1. PWB Claim**

2 Class 1 is impaired by and entitled to vote on the Plan. On or about the Effective Date,
 3 the Reorganized Debtor will execute and deliver Amended Loan Documents to the Holder of the
 4 Class 1 Claim. The Amended Loan Documents will provide for repayment of the Allowed Class
 5 1 Claim on the terms provided for in the Plan, which include: (a) interest accrual for the first
 6 sixty months at the non-default fixed rate provided in the PWB Loan Documents, which is
 7 4.59%, and pursuant to the note's floating-rate provision thereafter; (b) interest-only payments
 8 beginning on the first month following the Effective Date, and continuing through and including
 9 the twelfth month following the Effective Date; (c) beginning the thirteenth month following the
 10 Effective Date, the Reorganized Debtor will make monthly payments of principal and interest
 11 based on a twenty-year amortization schedule; (d) all unpaid amounts due on the Allowed Class
 12 1 Claim will be paid no later than the eighty-fourth month following the Effective Date.

13 As security for the repayment of the Allowed Class 1 Claim under the Plan, PWB retains
 14 all liens and security interests in the Debtor's property existing on the Petition Date and limited
 15 by sections 552(a) and (b) of the Bankruptcy Code. PWB is granted no liens or security interests
 16 in any other property of the Debtor or Reorganized Debtor not existing on the Petition Date and
 17 in accordance with sections 552(a) and (b) of the Bankruptcy Code.

18 **2. Class 2. Santa Barbara Tax Claim**

19 Class 2 is impaired by and entitled to vote on the Plan. Interest will accrue on the unpaid
 20 principal balance of the Santa Barbara Tax Claim at 7% per annum. The Reorganized Debtor
 21 shall pay (on or before the fifth Business Day of each month) the holder of the Allowed Class 2
 22 Claim the amount of \$15,000 per month, commencing the first month following the Effective
 23 Date, and continuing until the Allowed Class 2 Claim is paid in full.

24 **3. Class 3. Maxwell Morgan Secured Claim**

25 Class 3 is impaired by and entitled to vote on the Plan. The holder of the Class 3 claim
 26 retains all liens and security interests in the Debtor's property existing on the Petition Date and

1 limited by sections 552(a) and (b) of the Bankruptcy Code. The holder of the Class 3 claim is
 2 granted no liens or security interests in any other property of the Debtor or Reorganized Debtor
 3 not existing on the Petition Date and in accordance with sections 552(a) and (b) of the
 4 Bankruptcy Code. Interest will accrue on the unpaid principal balance of the Allowed Class 3
 5 Claim at the non-default rate specified in the governing loan documents. Reorganized Debtor
 6 shall make no distributions in repayment of the Class 3 Claim through December 31, 2014. On
 7 or after January 1, 2016, Reorganized Debtor may, but is not required to, make distributions in
 8 repayment of the Class 3 Claim if and only if the Reorganized Debtor is not in default of its
 9 obligations under this Plan.

10 **4. Class 4. General Unsecured Claims**

11 Class 4 is impaired by and entitled to vote on the Plan. Reorganized Debtor shall pay to
 12 each holder of an Allowed Class 4 Claim, in Cash, the principal amount of such Allowed claim
 13 without interest. Each such holder will receive, beginning on first Business Day of the first
 14 month following the Effective Date, such holder's Pro Rata share of \$5,000. Reorganized
 15 Debtor shall continue to make substantially equal payments on the first Business Day of each
 16 month thereafter, until Allowed Class 4 Claims are paid in full.

17 **5. Class 5. Equity Interests**

18 Class 5 is unimpaired and not entitled to vote on the Plan. All legal, equitable, and
 19 contractual rights of holders of Equity Interests with respect to their respective Equity Interests
 20 shall remain unaltered.

21 **C. Plan Funding**

22 The Plan will be funded by a combination of the Debtor's Cash on hand as of the
 23 Effective Date and Cash that is collected or generated by the Reorganized Debtor after the
 24 Effective Date.
 25
 26

D. Distributions to Creditors

The provisions of the Plan that govern distributions to creditors and the resolution of disputed and contingent claims are set forth in Article 5 of the Plan. Certain of those provisions are summarized below.

1. Distributions Generally

Distributions under the Plan will be made on the dates specifically prescribed by the Plan. Distributions to be made by the Reorganized Debtor under the Plan ordinarily will be made by check drawn on a domestic bank. Withholding taxes and other amounts required to be withheld under applicable law will be deducted from distributions. Distributions to creditors pursuant to the Plan ordinarily will be delivered by First-Class mail, postage prepaid, in an envelope addressed as directed in a request served on the Reorganized Debtor as provided in the Plan, but if no such request is made, at the address shown in the Schedules, as they may from time to time be amended, or, if a different address is stated in a proof of claim duly filed with the Bankruptcy Court, to such address. Reorganized Debtor shall serve as the disbursing agent under the Plan.

2. Limitations on Amending Claims

Except as otherwise provided in the Plan, after the Confirmation Date, a proof of claim may be amended by the holder of such Claim solely to decrease, but not to increase, the amount of such Claim.

E. Executory Contracts and Unexpired Leases

The Debtor intends to assume the unexpired lease agreement governing Tenant's occupancy of the Property. Debtor is not aware of any other executory contracts or unexpired leases to which it is a party, however, in the event that such agreements exist, they will be rejected on the Effective Date pursuant to the provisions of the Plan. The Debtor is current on all obligations owing under the lease agreement with Tenant, and therefore no Cure will be required.

VII. THE REORGANIZED DEBTOR

A. Ownership and Management

1. Management

The Plan provides that upon the occurrence of the Effective Date, existing management (described above in section III.B) will remain in place.

B. Financial Projections - Fagerdala

Fagerdala has prepared financial projections for Fagerdala based on the treatment of the various claims under the Plan. Attached hereto as **Exhibit B** are projected monthly statements of cash flow statements as of and for the eight fiscal yearly periods beginning on the estimated effective date. These projections are based on the assumptions that, due to the fixed nature of the triple-net lease of the Debtor's real property, the Reorganized Debtor's income and expenses will remain relatively constant.

An important component of the cashflow projections appearing in Exhibit B is that the Reorganized Debtor will be able to build cash reserves for major property improvements that are not the responsibility of the tenant. In addition, the Debtor believes that accumulation of cash reserves will enhance its ability to potentially obtain take-out financing to pay off the Class 1 claim of PWB. As part of its reorganization planning, Debtor has negotiated with potential lenders and has discovered that industry practices typically dictate that a borrower in the Debtor's position must maintain minimum average deposit balances of approximately ten percent of the loan amount.

VIII. VOTING ON THE PLAN

A. Voting Eligibility

In general, a holder of a claim or interest may vote to accept or reject a plan if either (1) the claim or interest is "allowed," which means generally that it is not disputed, contingent or unliquidated in amount, and (2) the claim or interest is part of a class that is impaired by the plan. If a creditor or equity interest holder will not receive any distribution under a plan in respect of

1 such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and
 2 provides that the holder is not entitled to vote. On the other hand, if the claim or interest is part
 3 of a class that is not impaired, the Bankruptcy Code conclusively presumes that holder of such
 4 claim or interest has accepted the plan and provides that the holder is not entitled to vote. Under
 5 section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be “impaired”
 6 under a plan unless (1) the plan leaves unaltered the legal, equitable, and contractual rights to
 7 which such claim or interest entitles the holder thereof, or (2) notwithstanding any legal right to
 8 an accelerated payment of such claim or interest, the plan (a) cures all existing defaults (other
 9 than defaults resulting from the occurrence of events of bankruptcy), (b) reinstates the maturity
 10 of such claim or interest as it existed before the default, (c) compensates the holder of such claim
 11 or interest for any damages resulting from such holder’s reasonable reliance on such legal right
 12 to an accelerated payment, and (d) does not otherwise alter the legal, equitable, or contractual
 13 rights to which such claim or interest entitles the holder of such claim or interest. Under the
 14 Plan, only the holders of Allowed Claims (or of disputed claims that are temporarily allowed by
 15 the Court for voting purposes) in Classes 1, 2, 3, and 4 are entitled to vote. The holders of Class
 16 5 Equity Interests are not impaired and are deemed to have accepted the Plan.

17 **B. Voting Deadline**

18 The deadline for submitting completed ballots is 5:00 p.m. (prevailing Pacific Time) on
 19 _____, 2015 (the “Voting Deadline”). Only those ballots that are actually received by
 20 the Voting Deadline will be counted as either accepting or rejecting the Plan.

21 **C. Acceptance By a Class**

22 As a condition to confirmation, the Bankruptcy Code requires, among other things, that
 23 (1) at least one class of claims that is impaired under the plan has accepted the plan, determined
 24 without including any acceptance of the plan by any insider, and (2) except under certain
 25 circumstances, each class of claims or interests that is impaired under the plan accepts the plan.
 26 Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by an impaired class of

1 claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in
 2 number of claims in that class, but for that purpose counts only the votes of those creditors who
 3 actually vote to accept or reject the plan.

4 Additionally, if creditors in a Class fail to (i) vote to either accept or reject the Plan and
 5 (ii) object to the Plan, such Class shall be deemed to accept the Plan.

6 **D. Voting Procedures**

7 **1. Submission of Ballots**

8 A form of ballot is included among the materials that accompany this Disclosure
 9 Statement. All votes to accept or reject the Plan must be cast by properly submitting a duly
 10 completed and executed ballot. Ballots must be delivered to the Debtor's counsel as designated
 11 in the ballot at the address or fax number set forth on the ballot and must be received by the
 12 Voting Deadline. The method of delivery of a ballot is at the election and risk of the voting
 13 creditor. Please carefully follow the directions contained on the enclosed ballot.

14 **2. Incomplete Ballots**

15 Any ballot received that (i) is not signed, (ii) does not contain sufficient information to
 16 permit the identification of the claimant, or (iii) does not indicate either an acceptance or
 17 rejection of the Plan or which indicates both acceptance and rejection of the Plan will be invalid
 18 and will not be counted as a vote cast with respect to the Plan.

19 **3. Withdrawal or Change of Votes**

20 A ballot may be withdrawn by delivering a written notice of withdrawal to the Debtor's
 21 counsel at any time prior to the Voting Deadline. Thereafter, a withdrawn ballot will not be
 22 effective unless approved by the Bankruptcy Court. In order to be valid, a notice of withdrawal
 23 must (i) specify the name of the holder who submitted the vote on the Plan to be withdrawn, (ii)
 24 contain a description of the Claim to which it relates and (iii) be signed by the holder in the same
 25 manner as on the ballot. The Debtor expressly reserve the absolute right to contest the
 26 validity of any such withdrawals of votes on the Plan. Any creditor who has submitted to the

Debtor's counsel a properly completed ballot prior to the Voting Deadline may change such vote by submitting to the Debtor's counsel prior to the Voting Deadline a subsequent properly completed ballot. In the case where more than one timely, properly completed ballot is received with respect to the same Claim, the ballot that bears the latest date will be counted.

4. Voting Multiple Claims.

Only one form of ballot is provided for voting. Any creditor that holds a Claim in more than one Class is required to vote separately with respect to each Claim. Creditors with multiple Claims in the same Class shall have one Claim for voting and distribution purposes and all such amounts will be aggregated into one Claim and such creditor shall be entitled to submit only one ballot. Please sign, and return in accordance with the instructions on the ballot form, a separate ballot with respect to each such Claim.

IX. CONFIRMATION OF THE PLAN

A. Confirmation Hearing.

The Bankruptcy Court will hold a hearing to consider confirmation of the Plan at on _____, **2015** at United States Bankruptcy Court for the District of Oregon, 1001 SW 5th Avenue, #700, Courtroom 3, Portland, Oregon 97204.

The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date and time made at the confirmation hearing.

B. Deadline for Objecting to Confirmation.

Any objection to confirmation of the Plan must be in writing, must state with specificity the grounds for any such objections, and must be filed with the Bankruptcy Court on or before _____, **2015 at 5:00 p.m.** (Prevailing Pacific Time).

C. Requirements for Confirmation.

1. Confirmation Requirements Generally.

The Bankruptcy Court can confirm the Plan only if all the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that (i) the plan be accepted by all impaired classes of claims and of interests or, if rejected by an impaired class, the plan “does not discriminate unfairly” and is “fair and equitable” as to such class, (ii) the plan is feasible, and (iii) the plan is in the “best interest” of creditors and stockholders that are impaired under the plan.

2. Feasibility.

In connection with confirmation with the Plan, the Bankruptcy Court will have to determine that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor unless such liquidation or reorganization is proposed in the Plan. Fagerdala believes it will be able to perform its obligations under the Plan.

3. Best Interests of Creditors.

Section 1129(a)(7) of the Bankruptcy Code requires that any holder of a claim or interest in an impaired class that votes against a proposed plan must receive under the plan distributions that have a value, as of the effective date of the plan, at least equal to that which the holder would receive if the debtor’s assets were liquidated under chapter 7 of the Bankruptcy Code. To determine what creditors and Equity Interest holders would receive if a debtor were liquidated, the Bankruptcy Court must determine the dollar amount that would be generated from a liquidation of its assets in the context of a hypothetical liquidation. Such determination must take into account the fact that, as to each asset, all claims secured by that asset would have to be paid in full, as would all administrative expenses in the chapter 7 case and in the original bankruptcy case, before the balance of those proceeds would be made available to pay unsecured creditors and interest holders. To determine if a plan is in the best interest of each impaired

1 class, the present value of the distributions from the proceeds of the hypothetical liquidation of
 2 the assets (after subtracting the amount attributable to secured claims and administrative
 3 expenses of the bankruptcy case) must be compared with the present value of the consideration
 4 offered to each such class under the plan. In addition, the rule of absolute priority of distribution
 5 from a debtor's estate must be applied. Under that rule, no junior holder of a claim or equity
 6 interest may receive distributions under a plan unless the plan provides that all senior classes will
 7 be paid in full or unless all senior classes vote to accept the plan. After consideration of the
 8 effect that a chapter 7 liquidation would have on the ultimate proceeds available for distribution
 9 to the debtor's creditors and interest holders (including (i) the increased cost and expense of
 10 liquidation under chapter 7 arising from fees payable to a chapter 7 trustee and the attorneys and
 11 other professional advisors to such trustee, (ii) the time value of money resulting from what is
 12 likely a more protracted proceeding, and (iii) the application of the rule of absolute priority to
 13 distributions in a chapter 7 case), the Debtor has determined that confirmation of the Plan will
 14 provide each creditor in an impaired Class with a greater recovery than such creditor would
 15 receive in a chapter 7 case concerning the Debtor.

16 Debtor estimates that in a liquidation case under chapter 7, general unsecured creditors
 17 would receive no cash distributions because substantially all of the Debtor's assets are fully
 18 encumbered by liens. A liquidation analysis for Fagerdala is attached hereto as **Exhibit C**. All
 19 general unsecured creditors of Fagerdala will recover more under the Plan than they would in a
 20 chapter 7 case.

21 **D. Confirmation Over Dissenting Class.**

22 The Bankruptcy Code permits confirmation of a plan even if it is not accepted by all
 23 impaired classes, as long as (a) the plan otherwise satisfies the requirements for confirmation, (b)
 24 at least one impaired class of claims has accepted it without taking into consideration the votes of
 25 any insiders in such class, and (c) the plan is "fair and equitable" and does not "discriminate
 26

1 unfairly” as to any impaired class that has not accepted the plan. These so-called “cramdown”
 2 provisions are set forth in section 1129(b) of the Bankruptcy Code.

3 **1. Fair and Equitable.**

4 The Bankruptcy Code establishes different “cramdown” tests for determining whether a
 5 plan is “fair and equitable” to dissenting impaired classes of secured creditors, unsecured
 6 creditors, and equity interest holders as follows:

7 **a. Secured Creditors.**

8 A plan is fair and equitable to a class of secured claims that rejects the plan if the plan
 9 provides: (a) that each holder of a secured claim included in the rejecting class (i) retains the lien
 10 securing its claim to the extent of the allowed amount of such claim, whether the property
 11 subject to that lien is retained by the debtor or transferred to another entity, and (ii) receives on
 12 account of its secured claim deferred cash payments having a present value, as of the effective
 13 date of the plan, at least equal to such holder’s interest in the estate’s interest in such property;
 14 (b) that each of the holders of the secured claims included in the rejecting class realizes the
 15 “indubitable equivalent” of its allowed secured claim; or (c) for the sale, subject to section
 16 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing the claims
 17 included in the rejecting class, free and clear of such liens with such liens to attach to the
 18 proceeds of sale, and the treatment of such liens on proceeds in accordance with clause (a) or (b)
 19 of this paragraph.

20 **b. Unsecured Creditors.**

21 A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the
 22 plan provides that: (a) each holder of a claim included in the rejecting class receives or retains
 23 under the plan property of a value, as of the effective date of the plan, equal to the amount of its
 24 allowed claim; or (b) the holders of claims and interests that are junior to the claims of the
 25 rejecting class will not receive or retain any property under the plan.
 26

1 **c. Holders of Interests.**

2 A plan is fair and equitable as to a class of interests that rejects the plan if the plan
3 provides that: (a) each holder of an equity interest included in the rejecting class receives or
4 retains under the plan property of a value, as of the effective date of the plan, equal to the
5 greatest of the allowed amount of (i) any fixed liquidation preference to which such holder is
6 entitled, (ii) the fixed redemption price to which such holder is entitled, or (iii) the value of the
7 interest; or (b) the holder of any interest that is junior to the interests of the rejecting class will
8 not receive or retain any property under the plan.

9 The Debtor believes that the Plan and the treatment of all impaired Classes under the Plan
10 satisfy the foregoing requirements for nonconsensual confirmation of the Plan.

11 **2. Unfair Discrimination.**

12 A plan of reorganization does not “discriminate unfairly” if a dissenting class is treated
13 substantially equally with respect to other classes similarly situated and no class receives more
14 than it is legally entitled to receive for its claims or interests. The Debtor believe that the Plan
15 does not discriminate unfairly against any impaired Class. Under the Plan, unsecured creditors
16 are treated in one class.

17 **E. Effects of Confirmation.**

18 **1. Vesting of Estate Property.**

19 As of the Effective Date, the Reorganized Debtor shall be revested with title to all
20 property of its estate, free and clear of all liens, Claims and other interests, except to the extent
21 provided in the Plan or in the Confirmation Order. As of the Effective Date, the Debtor may use
22 and dispose and otherwise deal with such property and may conduct its affairs, in each case,
23 without supervision of the Bankruptcy Court and free of any restrictions imposed by the
24 Bankruptcy Code or the Bankruptcy Rules, other than those restrictions expressly imposed by the
25 Plan or the Confirmation Order.

1 **2. Discharge.**

2 Except, as otherwise provided in the Plan or in the Confirmation Order, on the Effective
3 Date, pursuant to section 1141(d) of the Bankruptcy Code, Debtor shall be discharged from all
4 liability on any and all Claims against the Debtor that arose at any time before the Effective
5 Date.

6 **3. Exculpation.**

7 Section 8.7 of the Plan provides:

8 Neither the Debtor, nor any of its respective officers, directors,
9 members, representatives or agents who served as such during this
10 Bankruptcy Case, shall have or incur any liability to any Entity for any
11 act or omission in connection with or arising out of the negotiation of
12 this Plan, the pursuit of confirmation of this Plan, the pursuit of
13 approval of the Disclosure Statement, the consummation of this Plan,
14 the transactions contemplated and effectuated by this Plan, the
15 administration of this Plan or any other act or omission during the
16 administration of these Bankruptcy Cases or the Debtors' estates.
17 Notwithstanding the foregoing, Claims arising from gross negligence
18 or willful misconduct on behalf of the Debtors are not waived or
19 released in any manner by this Plan. In all respects, the Debtors will be
20 entitled to rely upon the advice of counsel with respect to its duties and
21 responsibilities under this Plan.

22 **4. Effect on Insurance Policies.**

23 Section 8.8 of the Plan addresses insurance policies issued to the Debtor and the various
24 agreements related to such policies.

25 **X. ALTERNATIVES TO THE PLAN**

26 The Debtor believes that the Plan affords its creditors the greatest opportunity for
realization on their assets and the greatest possible value that could be realized on their claims.
The Debtor also believe that the Plan is fair and reasonable in its treatment of all constituencies.
Possible alternatives to the Plan which might arise if the Plan is rejected or if the Court refuses to
confirm the Plan include (i) dismissal of the Bankruptcy Case; (ii) conversion of the Bankruptcy
Case to cases under chapter 7 of the Bankruptcy Code, which would entail the mandatory
appointment of a trustee; (iii) submission by the Debtor of an alternative plan or the filing by

1 another party in interest of an alternative or competing plan; and (iv) the appointment of a
 2 chapter 11 trustee for the purpose of operating the Debtor's business activities, administering the
 3 Debtor's assets, and filing an alternative plan.

4 **XI. RISK FACTORS**

5 This Disclosure Statement contains forward-looking statements that involve risks and
 6 uncertainties. The Debtor's income is dependent on a revenue stream generated by a single piece
 7 of real property. As such, any risk effecting the Property (including but not limited to natural
 8 disaster, adverse land use regulatory changes, changing economic conditions in the surrounding
 9 area, and condemnation through eminent domain) could have negative impacts on the Debtor. In
 10 addition, the Debtor's ability to lease the Property depends on larger macroeconomic trends in
 11 the regional economy and real estate markets.

12 The foregoing discussion of risk factors is intended to be a non-exclusive summary of
 13 certain of those risks and uncertainties. Creditors should consider carefully these risks and are
 14 encouraged to supplement this summary with their own analysis and evaluation of the Plan

15 **XII. FEDERAL TAX CONSEQUENCES OF THE PLAN**

16 **CIRCULAR 230 NOTICE: WE MUST INFORM YOU THAT TO ENSURE**
 17 **COMPLIANCE WITH THE REQUIREMENTS IMPOSED BY THE INTERNAL**
 18 **REVENUE SERVICE, ANY FEDERAL TAX ADVICE CONTAINED IN THIS**
 19 **DOCUMENT RELATING TO FEDERAL TAXES, WAS NOT INTENDED OR**
 20 **WRITTEN TO BE USED OR RELIED UPON, AND IT CANNOT BE USED OR RELIED**
 21 **UPON, FOR THE PURPOSE OF AVOIDING TAX RELATED PENALTIES THAT MAY**
 22 **BE IMPOSED UNDER FEDERAL TAX LAW. UNDER THESE RULES, A TAXPAYER**
 23 **MAY RELY ON PROFESSIONAL ADVICE TO AVOID FEDERAL TAX PENALTIES**
 24 **ONLY IF THAT ADVICE IS REFLECTED IN A COMPREHENSIVE TAX OPINION**
 25 **THAT CONFORMS TO STRINGENT REQUIREMENTS UNDER FEDERAL LAW.**
 26 **THIS DISCUSSION WAS WRITTEN IN CONNECTION WITH THE DEBTOR**

SOLICITING ACCEPTANCES OF THE PLAN THROUGH THIS DISCLOSURE STATEMENT.

A. Scope of Discussion.

The following discussion summarizes in general terms certain material federal income tax consequences of the implementation of the Plan based upon existing provisions of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), court decisions, and current administrative rulings and practice. This summary does not address the federal income tax consequences of the Plan to holders of priority claims or of secured claims, nor does it address any state, local or foreign tax matters or the federal income tax consequences to certain types of creditors (including financial institutions, life insurance companies, tax exempt organizations and foreign taxpayers) to which special rules may apply. No rulings or opinions have been or will be requested from the Internal Revenue Service with respect to any of the tax aspects of the Plan. The Debtor is not making any representations regarding the particular tax consequences of confirmation and consummation of the Plan as to creditors or Equity Interest holders, nor the Debtor or its professionals rendering any form of legal opinion or tax advice as to such tax consequences. The tax laws applicable to corporations in bankruptcy are complex and are subject to significant uncertainties. Each creditor and shareholder is urged to consult his, her or its own tax advisor as to the consequences of the Plan under federal and applicable state, local and foreign tax laws. Accordingly, the following summary of federal income tax consequences of the Plan is for informational purposes only and should not be construed as tax advice.

B. Tax Consequences to Fagerdala.

1. Cancellation of Debt and Reduction of Tax Attributes.

In general, absent an exception, a debtor will recognize cancellation of debt (“COD”) income upon satisfaction of its outstanding indebtedness for total consideration less than the amount of such indebtedness. The amount of COD income, in general, is the excess of (a) the

1 adjusted issue price of the indebtedness satisfied, over (b) the sum of (x) the amount of cash
 2 paid, (y) the issue price of any new debt instrument issued in satisfaction of such indebtedness,
 3 and (z) the fair market value of any other new consideration given in satisfaction of such
 4 indebtedness. Debtor will recognize COD income as a result of the implementation of the Plan
 5 to the extent the “issue price” of Debtor’s obligation to make payments to creditors over time (or,
 6 if such obligation is determined not to constitute a “debt instrument” for federal income tax
 7 purposes, the fair market value of such obligation) is less than the adjusted issue price of the
 8 indebtedness satisfied.

9 However, any COD income recognize by Debtor generally will be excluded from
 10 income. A debtor will not be required to include any amount of COD income in gross income if
 11 the debtor is under the jurisdiction of a court in a case under Chapter 11 of the Bankruptcy Code
 12 and the discharge of debt occurs pursuant to that proceeding. Instead, as a consequence of such
 13 exclusion, the debtor must reduce certain tax attributes (including certain suspended losses,
 14 credits and tax basis in the debtor’s assets) by the amount of COD income that it excluded from
 15 gross income under Section 108 of the Internal Revenue Code. Accordingly, in the event that
 16 Debtor recognizes COD income as a result of the implementation of the Plan as described above,
 17 Debtor generally will be required to make a corresponding reduction in its tax attributes.

18 **C. Tax Consequences to Holders of General Unsecured Claims.**

19 Pursuant to the Plan, holders of Allowed Unsecured Claims will receive one or more
 20 Cash distributions in full satisfaction of their Claims.

21 In connection with the implementation of the Plan, each holder of an Allowed Unsecured
 22 Claim generally will recognize gain or loss for federal income tax purposes. The timing and
 23 amount of that gain or loss will depend upon a number of factors, including whether the holder
 24 reports income as an accrual basis taxpayer or as a cash basis taxpayer, whether the holder will
 25 receive multiple distributions pursuant to the Plan and whether the Debtor’s obligations to make
 26 payments will be treated as a new debt obligation for federal income purposes.

1 In addition, the character of any gain or loss recognized by a creditor as long-term or
 2 short-term capital gain or loss or as ordinary income or loss will be determined by a number of
 3 factors, including the tax status of the creditor, whether the obligation from which the creditor's
 4 claim arose constitutes a capital asset in the hands of the creditor, whether the obligation from
 5 which the claim arose has been held for more than one year, the allocation of any distributions
 6 received between principal and unpaid accrued interest, whether and to what extent the creditor
 7 has previously claimed a bad debt deduction, and the extent (if any) to which interest may be
 8 imputed where multiple distributions are received.

9 Because each creditor's circumstances may be different, each creditor is urged to consult
 10 his, her or its own tax advisor regarding the specific federal income tax consequences to that
 11 creditor of implementation of the Plan.

12 **XIII. CONCLUSION AND RECOMMENDATION**

13 The Debtor believes that confirmation and implementation of the Plan is preferable to
 14 any alternative because it will provide the greatest recoveries to their creditors. For this reason,
 15 the Debtor urge all creditors entitled to vote to accept the Plan.

16
 17 DATED: November 14, 2014

PERKINS COIE LLP

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EXHIBIT A
JOINT PLAN OF REORGANIZATION

See attached (separately)

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EXHIBIT B
Financial Projections

		Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Rent Income		41,806	41,806	41,806	41,806	41,806	41,806	42,224	42,224	42,224	42,224	42,224	42,224	42,224
Expenses														
Interest to PWB			12,065	12,065	12,065	12,065	12,065	12,065	12,065	12,065	12,065	12,065	12,065	12,065
Current Taxes Santa Barabara		55,000				55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		(14,694)	28,241	28,241	28,241	(26,759)	28,241	28,659	28,659	28,659	28,659	28,659	28,659	(26,341)
Cash		125,418	50,724	58,965	67,205	75,446	28,686	36,927	45,585	54,244	62,903	71,561	80,220	88,878
Administrative Costs		25,000	-											
Professional Fees		35,000	-											
Monthly Cash from Operations		(14,694)	28,241	28,241	28,241	(26,759)	28,241	28,659	28,659	28,659	28,659	28,659	28,659	(26,341)
Cash prior to Principal Pmts to Creditors		50,724	78,965	87,205	95,446	48,686	56,927	65,585	74,244	82,903	91,561	100,220	108,878	62,537
Principal Pmts to Creditors	Creditor Balance													
PWB	3,154,365	-												
Santa Barbara County	191,627		15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Unsecured Creditors	66,941		5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Maxwell Morgan	8,051,409		-	-	-	-	-	-	-	-	-	-	-	-
Total Payments to Creditors		-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Ending Cash		50,724	58,965	67,205	75,446	28,686	36,927	45,585	54,244	62,903	71,561	80,220	88,878	42,537
		Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	
Rent Income		42,224	42,224	42,224	42,224	42,224	42,646	43,286	43,286	43,286	43,286	43,286	43,286	
Expenses														
Interest to PWB		12,065	12,035	12,004	11,973	11,942	11,910	11,879	11,848	11,816	11,784	11,752	11,720	
Current Taxes Santa Barabara					55,000								55,000	
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	
Net Monthly Cash from Operations		28,659	28,689	28,720	(26,249)	28,782	29,236	29,907	29,938	29,970	30,002	30,034	(24,934)	
Cash		42,537	43,151	46,825	67,439	33,054	53,668	74,705	96,381	118,058	139,734	161,410	183,087	
Monthly Cash from Operations		28,659	28,689	28,720	(26,249)	28,782	29,236	29,907	29,938	29,970	30,002	30,034	(24,934)	
Cash prior to Principal Pmts to Creditors		71,196	71,841	75,545	41,191	61,836	82,904	104,612	126,320	148,028	169,736	191,444	158,152	
Principal Pmts to Creditors	Creditor Balance													
PWB	3,154,365	8,044	8,075	8,106	8,137	8,168	8,199	8,231	8,262	8,294	8,325	8,357	8,389	
Santa Barbara County	25,855	15,000	15,000											
Unsecured Creditors	6,941	5,000	1,941											
Maxwell Morgan	8,051,409													
Total Payments to Creditors		28,044	25,016	8,106	8,137	8,168	8,199	8,231	8,262	8,294	8,325	8,357	8,389	
Ending Cash		43,151	46,825	67,439	33,054	53,668	74,705	96,381	118,058	139,734	161,410	183,087	149,763	

		Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Rent Income		43,286	43,286	43,286	43,286	43,286	43,719	44,375	44,375	44,375	44,375	44,375	44,375
Expenses													
Interest to PWB		11,688	11,656	11,624	11,591	11,559	11,526	11,493	11,460	11,427	11,394	11,361	11,327
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		30,098	30,130	30,162	(24,805)	30,227	30,693	31,381	31,414	31,447	31,481	31,514	(23,453)
Cash		149,763	171,439	193,116	214,792	181,468	203,145	225,254	248,019	270,784	293,549	316,314	339,079
Monthly Cash from Operations		30,098	30,130	30,162	(24,805)	30,227	30,693	31,381	31,414	31,447	31,481	31,514	(23,453)
Cash prior to Principal Pmts to Creditors		179,861	201,569	223,278	189,987	211,696	233,838	256,635	279,433	302,231	325,030	347,828	315,626
Principal Pmts to Creditors	Creditor Balance												
PWB	3,055,778	8,421	8,454	8,486	8,518	8,551	8,584	8,616	8,649	8,682	8,716	8,749	8,782
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409												
Total Payments to Creditors		8,421	8,454	8,486	8,518	8,551	8,584	8,616	8,649	8,682	8,716	8,749	8,782
Ending Cash		171,439	193,116	214,792	181,468	203,145	225,254	248,019	270,784	293,549	316,314	339,079	306,844
		Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Rent Income		44,375	44,375	44,375	44,375	44,375	44,818	45,491	45,491	45,491	45,491	45,491	45,491
Expenses													
Interest to PWB		11,294	11,260	11,226	11,192	11,158	11,124	11,089	11,055	11,020	10,985	10,950	10,915
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		31,581	31,615	31,649	(23,317)	31,717	32,195	32,901	32,936	32,970	33,005	33,040	(21,925)
Cash		306,844	319,609	332,374	345,139	302,904	315,669	328,878	342,759	356,640	370,521	384,402	398,283
Monthly Cash from Operations		31,581	31,615	31,649	(23,317)	31,717	32,195	32,901	32,936	32,970	33,005	33,040	(21,925)
Cash prior to Principal Pmts to Creditors		338,425	351,224	364,023	321,822	334,621	347,864	361,779	375,695	389,610	403,526	417,442	376,358
Principal Pmts to Creditors	Creditor Balance												
PWB	2,952,569	8,816	8,850	8,884	8,918	8,952	8,986	9,020	9,055	9,089	9,124	9,159	9,194
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Payments to Creditors		18,816	18,850	18,884	18,918	18,952	18,986	19,020	19,055	19,089	19,124	19,159	19,194
Ending Cash		319,609	332,374	345,139	302,904	315,669	328,878	342,759	356,640	370,521	384,402	398,283	357,164

		Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Rent Income		45,491	45,491	45,491	45,491	45,491	45,946	46,635	46,635	46,635	46,635	46,635	46,635
Expenses													
Interest to PWB		10,880	10,845	10,810	10,774	10,738	10,702	10,666	10,630	10,594	10,558	10,521	10,484
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		33,110	33,146	33,181	(21,783)	33,252	33,743	34,468	34,504	34,541	34,577	34,614	(20,350)
Cash		357,164	371,045	384,926	398,807	357,688	371,569	385,905	400,930	415,955	430,980	446,005	461,030
Monthly Cash from Operations		33,110	33,146	33,181	(21,783)	33,252	33,743	34,468	34,504	34,541	34,577	34,614	(20,350)
Cash prior to Principal Pmts to Creditors		390,274	404,191	418,107	377,024	390,940	405,312	420,373	435,434	450,496	465,557	480,619	440,681
Principal Pmts to Creditors	Creditor Balance												
PWB	2,844,522	9,229	9,265	9,300	9,336	9,371	9,407	9,443	9,479	9,516	9,552	9,589	9,625
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Payments to Creditors		19,229	19,265	19,300	19,336	19,371	19,407	19,443	19,479	19,516	19,552	19,589	19,625
Ending Cash		371,045	384,926	398,807	357,688	371,569	385,905	400,930	415,955	430,980	446,005	461,030	421,056
		Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Rent Income		46,635	46,635	46,635	46,635	46,635	47,101	47,808	47,808	47,808	47,808	47,808	47,808
Expenses													
Interest to PWB		10,448	10,411	10,374	10,336	10,299	10,261	10,224	10,186	10,148	10,110	10,072	10,033
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		34,687	34,724	34,761	(20,202)	34,836	35,340	36,084	36,122	36,160	36,198	36,236	(18,726)
Cash		421,056	436,081	451,106	466,131	426,156	441,181	456,673	472,871	489,068	505,266	521,464	537,662
Monthly Cash from Operations		34,687	34,724	34,761	(20,202)	34,836	35,340	36,084	36,122	36,160	36,198	36,236	(18,726)
Cash prior to Principal Pmts to Creditors		455,743	470,805	485,867	445,929	460,992	476,521	492,756	508,992	525,228	541,464	557,700	518,937
Principal Pmts to Creditors	Creditor Balance												
PWB	2,731,410	9,662	9,699	9,736	9,773	9,811	9,848	9,886	9,924	9,962	10,000	10,038	10,076
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Payments to Creditors		19,662	19,699	19,736	19,773	19,811	19,848	19,886	19,924	19,962	20,000	20,038	20,076
Ending Cash		436,081	451,106	466,131	426,156	441,181	456,673	472,871	489,068	505,266	521,464	537,662	498,860

		Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Rent Income		47,808	47,808	47,808	47,808	47,808	48,286	49,010	49,010	49,010	49,010	49,010	49,010
Expenses													
Interest to PWB		9,995	9,956	9,917	9,878	9,839	9,800	9,760	9,721	9,681	9,641	9,601	9,561
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		36,313	36,352	36,390	(18,571)	36,469	36,986	37,750	37,789	37,829	37,869	37,909	(17,051)
Cash		498,860	515,058	531,256	547,454	508,652	524,850	541,526	558,927	576,327	593,727	611,128	628,528
Monthly Cash from Operations		36,313	36,352	36,390	(18,571)	36,469	36,986	37,750	37,789	37,829	37,869	37,909	(17,051)
Cash prior to Principal Pmts to Creditors		535,173	551,410	567,647	528,884	545,121	561,836	579,276	596,716	614,156	631,596	649,037	611,477
Principal Pmts to Creditors	Creditor Balance												
PWB	2,612,996	10,115	10,154	10,192	10,231	10,271	10,310	10,349	10,389	10,429	10,469	10,509	10,549
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Payments to Creditors		20,115	20,154	20,192	20,231	20,271	20,310	20,349	20,389	20,429	20,469	20,509	20,549
Ending Cash		515,058	531,256	547,454	508,652	524,850	541,526	558,927	576,327	593,727	611,128	628,528	590,928
		Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Rent Income		49,010	49,010	49,010	49,010	49,010	49,500	50,243	50,243	50,243	50,243	50,243	50,243
Expenses													
Interest to PWB		9,521	9,480	9,439	9,399	9,358	9,316	9,275	9,234	9,192	9,150	9,108	9,066
Current Taxes Santa Barabara					55,000								55,000
Management Fees		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Net Monthly Cash from Operations		37,989	38,030	38,071	(16,889)	38,152	38,684	39,467	39,509	39,550	39,592	39,634	(15,324)
Cash		590,928	608,329	625,729	643,129	605,530	622,930	640,820	659,453	678,086	696,719	715,352	733,985
Monthly Cash from Operations		37,989	38,030	38,071	(16,889)	38,152	38,684	39,467	39,509	39,550	39,592	39,634	(15,324)
Cash prior to Principal Pmts to Creditors		628,918	646,359	663,800	626,241	643,682	661,614	680,288	698,962	717,637	736,311	754,986	718,661
Principal Pmts to Creditors	Creditor Balance												
PWB	2,489,030	10,589	10,630	10,670	10,711	10,752	10,793	10,834	10,876	10,917	10,959	11,001	11,043
Santa Barbara County	-												
Unsecured Creditors	-												
Maxwell Morgan	8,051,409	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total Payments to Creditors		20,589	20,630	20,670	20,711	20,752	20,793	20,834	20,876	20,917	20,959	21,001	21,043
Ending Cash		608,329	625,729	643,129	605,530	622,930	640,820	659,453	678,086	696,719	715,352	733,985	697,618

EXHIBIT C
Liquidation Analysis

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Sale of Building	
Estimated quick sale	6,000,000
Cost of Sale	(240,000)
Chapter 7 trustee's commission	<u>(203,250)</u>
Net cash proceeds	<u>5,556,750</u>
Payments to secured creditors	
Pacific Western	(3,154,365)
Santa Barbara County	(191,627)
Maxwell Morgan	<u>(8,051,409)</u>
Deficiency	(5,840,651)